



Valuation Report

Commercial Property

2, 3 & 4 Fred Thomas Drive, Takapuna

2 May 2017

Maat Consulting Limited

This valuation has been prepared for Maat Consulting Limited for Acquisition, Syndication, Product Disclosure Statement and to China Construction Bank for Mortgage Security purposes only.



Executive Summary

2, 3 and 4 Fred Thomas Drive, Takapuna



The property at 2 Fred Thomas Drive is improved with a three level building originally completed circa 1987 and recently subject to a major refurbishment. The building provides ground floor medical centre and cafe with two levels of offices above.

The adjacent property at 4 Fred Thomas Drive is improved with a three level building originally completed 1989. This building has also been refurbished over recent years and provides three levels of office accommodation plus a small portion of warehouse.

Situated between 2 and 4 Fred Thomas Drive is a multi-level car parking building known as 3 Fred Thomas Drive. This building has recently been completed and has a ground level medical tenancy with secured car parking to the rear and above.

The property is located on the fringe of the Takapuna commercial precinct and is well presented as a result of significant upgrades over recent years.

The property is currently subject to an Agreement for Sale and Purchase with a number of vendor underwrites in place.

We point out that we have valued the property in the past for the vendor. To avoid any potential conflicts we have made the purchaser aware of this and the vendor has provided us with a release allowing us to act for the purchaser.

Valuation

Prepared For	Maat Consulting Limited
Valuation Purpose	Market Valuation for Acquisition, Syndication, Product Disclosure Statement and to China Construction Bank for Mortgage Security
Date of Valuation	2 May 2017
Valuation Approaches	Capitalisation of Net Income and Discounted Cash Flow Approach
Zoning	Mixed Use – Auckland Council Unitary Plan, Operative in Part
Tenure	Freehold – Computer Freehold Registers NA89B/718, NA88C/125, NA89B/719
Interest Valued	100% Freehold Interest
Adopted Value	\$60,850,000 plus GST (if any)

Property Particulars

Financial Summary

Net Lettable Area	Total	12,263 sqm	Gross Passing Income	\$5,045,502	(\$411 /sqm)
	Office	9,544 sqm	Gross Market Income	\$4,980,746	(\$406 /sqm)
	Medical	1,891 sqm	Adopted Outgoings	\$777,648	(\$63 /sqm)
	Other	775 sqm	Net Passing Income	\$4,267,854	(\$348 /sqm)
Current Vacancy (% Total NLA)		0 sqm (0.00%)	Net Market Income	\$4,203,098	(\$343 /sqm)
Car Parking (Ratio)		446 bays (1:27)	Weighted Average Lease Term (by Income)		4.64 years
Site Area		15,223 sqm	Weighted Average Lease Term (by Area)		4.45 years

Cap Approach Assumptions

DCF Approach Assumptions

Adopted Cap Rate	6.875%	Discount Rate	8.50%
Discount Rate (PV of Adjustments)	6.875%	Terminal Yield	7.13%
Discount Rate (Other Income)	8.50%	Adopted Lease Term (Office)	6.0 years
Allowances for Expiries Occurring within	24 months	Adopted Lease Term (Retail)	6.0 years
Allowances for Capex Occurring within	24 months	Weighted Rental Growth (Avg. 10yr)	2.56%
Market Income Capitalisation	\$60,670,000	CPI (Avg. 10yr)	1.96%
Passing Income Capitalisation	\$60,660,000	Value based on DCF Approach	\$60,920,000

This is a summary only. It must not be relied on for any purpose. Jones Lang LaSalle's valuation of this asset is subject to assumptions, conditions and limitations. Those are set out in the full valuation report prepared in relation to the asset.

Valuation Analysis

Equivalent Yield	6.85%	Rate/sqm of NLA	\$4,962/sqm
Initial Yield (Net Passing Income)	7.01%	Internal Rate of Return (10 year)	8.51%
Initial Yield (Notional Fully Leased Income)	7.01%		

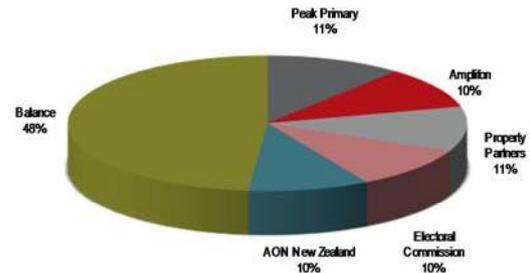
Financial Details & Critical Analysis

Tenancy Overview

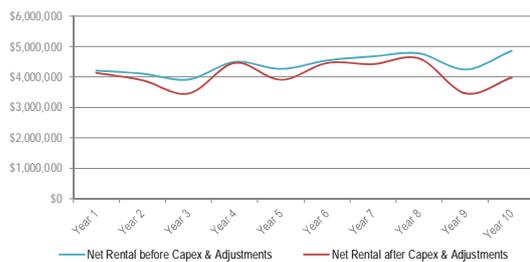
Tenant	Net Income	Area (sqm)
Peak Primary	\$615,160	1,360
Amplifon	\$418,982	1,220
Property Partners	\$400,463	1,313
Electoral Commission	\$386,618	1,222
AON New Zealand	\$361,845	1,203
Balance	\$2,084,787	5,945
Total	\$4,267,854	12,263

Note: Income above excludes Other Income

Tenant by Lettable Area



Projected Net Cash Flow



Lease Expiry Profile



Valuers

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Property Performance

Market Performance

- Office vacancy continues to reduce on the North Shore and within Takapuna
- Prime and secondary face office rents have shown growth over recent years
- Incentives appear to have stabilised however in some locations where there is limited vacancy, incentives have reduced.
- Yields for prime and secondary investments have continued to compress on the back of a strong property market, low interest rate environment and limited quality stock available in the marketplace.

Asset Performance

- The subject is situated on the fringe of the Takapuna commercial precinct
- The land is zoned Mixed Use under the Unitary Plan
- The buildings at 2 and 4 Fred Thomas Drive have been refurbished significantly over recent years to provide modern office accommodation. The new building at 3 Fred Thomas Drive provides much needed car parking in order to satisfy tenant demand, together with a ground floor medical tenancy that compliments the medical services offered at 2 Fred Thomas Drive.

Cash Flow Performance

- The property is 100% occupied by area. Major occupiers include Amplifon, Electoral Commission, Aon, Peak Primary and Riley Consultants.
- The majority of passing face rents are generally at or about market levels however some are above our adopted net effective market rental position and some are below. Many of the leases in place feature either fixed rental growth or reviews linked to CPI.
- As part of the sale process the vendor is to provide various underwrites. These are detailed in Section 5.1 of this report.
- The weighted average lease term (by income) of 4.64 years is considered to be reasonably attractive for this class of asset. Investors are particularly attracted to properties with longer lease profiles.
- Capex recently completed includes base build fit out works for the Amplifon tenancy at 4 Fred Thomas Drive, a new chiller at 4 Fred Thomas Drive and roof repairs to both 2 and 4 Fred Thomas Drive.

Critical Assumptions, Conditions and Limitations

In addition to any other assumptions, conditions and limitations contained within this report, our valuation is based on the following:

- The valuation is current as at the date of valuation only, being 2 May 2017. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property).
- We do not accept liability for losses arising from such subsequent changes in value. Without limiting this statement, we do not accept any liability where this valuation is relied upon more than three months after the date of valuation, or earlier if you become aware of any factors that may have any effect on the valuation.
- This report is relevant at the date of preparation and to the circumstances prevailing at that time. However, within a changing economic environment experiencing fluctuations in interest rates, inflation levels, rents and global economic circumstances, acceptable returns on investment may, as a consequence, be susceptible to future variation. We therefore recommend that before any action is taken involving an acquisition, disposal or other transaction more than three months after the date of this report, you consult the Valuer.
- This valuation has been completed for the specific purpose stated in this report. No responsibility is accepted in the event that this report is used for any other purpose.
- Our valuation assumes the information provided by the instructing party or its agents is correct and we reserve the right to amend our calculations, if deemed necessary, if that information is incorrect.
- Our valuation assumes all other professional/consultancy advice provided and relied upon is true and correct.
- We have relied on building areas, income figures and expense figures as provided by the instructing party or its agents and made specified adjustments where necessary. Where possible these have been verified through lease documentation and physical measurements.
- Unless otherwise stated all property measurements are in conformity with the Guide for the Measurement of Rentable Areas issued by the Property Council of New Zealand. Where certified areas have not been provided we have normally undertaken measurement in accordance with Property Council of New Zealand Standards.
- We have relied on the land dimensions and areas as provided in the Certificate of Title as searched. In certain cases physical checking of land dimensions and areas is difficult or not practical due to proximity of adjoining buildings, steep terrain or inaccessible title boundaries. Jones Lang LaSalle accepts no responsibility if any of the land dimensions or the area shown on title is found to be incorrect.
- Our valuation is made on the basis that the property is free of further caveats, mortgages, charges and other financial liens and that there are no memorials, encumbrances, restrictions or other impediments of an onerous nature which will affect the value other than those stated in the report or registered on the Certificate of Title.
- Enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of leases it is therefore assumed that the tenants are capable of meeting their obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.
- In the case of buildings where works are in hand or have recently been completed Jones Lang LaSalle does not normally make allowance for any liability already incurred but not yet discharged in respect of completed works or obligations in favour of contractors, sub-contractors or any members of the professional or design team.
- No enquiries in respect of any property, or of any improvements erected thereon, has been made for any sign of timber infestation, asbestos or other defect, whether latent, patent, or structural.
- Substances such as asbestos or other potentially hazardous materials could, if present, adversely affect the value of the property. The stated value estimate is on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances or estimate the remedial cost.
- While due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only, and this report does not constitute an environmental audit. Unless otherwise stated no account has been taken of the effect on value due to contamination or pollution.
- We have undertaken a visual inspection in respect of any building valued, but must advise that we have not commissioned structural surveys or tested any of the services and are therefore unable to confirm that these are free from defect. We note further that we have not inspected unexposed or inaccessible portions of any building and are therefore unable to certify that these are free from defect.
- We note we are not experts in relation to assessing the condition of the building structure and cladding, or in assessing the impact or otherwise of water/weather penetration issues. Should the building prove to have structural or weather penetration issues we reserve the right to amend the valuation assessment and any recommendations contained within this report.

- Any elements of deterioration apparent during our consideration of the general state of repair of building/s has been noted or reflected in our valuation. We are however, unable to give any warranty as to structural soundness of any building and have assumed in arriving at our valuation that there are no structural defects or the inclusion of unsatisfactory materials.
- In preparing the valuation it has been assumed that items such as lifts, hot and cold water systems, electrical systems, ventilating systems and other devices, fittings, installations or conveniences as are in the building are in proper working order and functioning for the purposes for which they were designed, and conform to the current building, fire and government regulations and codes.
- Information on town planning and resource management is often obtain verbally from the local planning authority and if assurance is required Jones Lang LaSalle recommends that verification is sought from the relevant authority that confirms the position is correctly stated within this report, that the property is not subject to other decisions or conditions prescribed by public authorities and that there are no outstanding statutory notices.
- Jones Lang LaSalle's valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory regulations including the Building Act 2004 and the requirements of Territorial Authorities. Where we have obtained a Land Information Memorandum, we comment on this within our report. Where we have not obtained a Land Information Memorandum our valuation is therefore undertaken with the assumption that there are no outstanding requisitions.
- Unless otherwise stated all currencies within this report are in New Zealand Dollars.
- Non-residential valuations are (unless otherwise stated) carried out on the basis that the valuation is plus GST (if any). Residential property valuations are (unless otherwise stated) carried out on the basis that the valuation includes GST (if any).

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1 Introduction

1.1 Instructions

We refer to instructions requesting that we undertake a market valuation of the freehold interest of 2, 3 & 4 Fred Thomas Drive, Takapuna (the Subject/Property), as at 2 May 2017 for and on behalf of Maat Consulting Limited. We understand that the valuation is to be relied upon for Acquisition, Syndication, Product Disclosure Statement and to China Construction Bank for Mortgage Security purposes only.

Our report has been prepared in accordance with the current Australia and New Zealand Property Institute's Valuation Standards and the instructing parties valuation brief, and we confirm that the prime signatory:

- is independent of both the Instructing Party and Report Recipient;
- is authorised, under The Valuers Act 1948 to practise as a Valuer;
- is suitably registered and qualified to carry out valuations of such property;
- has no pecuniary interest that could reasonably be regarded as being capable of affecting that person's ability to give an unbiased opinion of the Property's value or that could conflict with a proper valuation of the Property;
- has satisfied professional education requirements and has experience in the location and category of property being valued or where applicable, has sought the advice of suitably qualified professionals who hold locational expertise; and
- has made a personal inspection of the property.

We point out that we have valued the property in the past for the vendor. To avoid any potential conflicts we have made the purchaser aware of this and the vendor has provided us with a release allowing us to act for the purchaser.

Furthermore we confirm:

- the statements of fact presented in the report are correct to the best of the Valuers knowledge;
- the analyses and conclusions are limited only by the assumptions and conditions which follow within this report;
- the firm, Jones Lang LaSalle and the undersigned Valuers do not have a direct or indirect pecuniary interest in the subject property;
- the professional fee charged in relation to this assignment has not been contingent upon any aspect of this report;
- the valuation contained herein has been performed in accordance with PINZ / NZIV Codes of Ethics and Conduct;

Our report is confidential to the party or parties to which it is addressed, for the specific purpose to which it refers. No responsibility is accepted to any third parties. Neither the whole of the report or any part of it or any reference to it, may be published in any document, statement or circular or in any communication with third parties without our prior written approval of the form and context in which it will appear.

1.2 Valuation and Inspection Dates

The Property was inspected on 2 May 2017, which is also our date of valuation.

1.3 Basis of Valuation

Market Value

The value given herein is that of the market value of the Property as defined by the International Valuation Standards Committee (IVSC), and endorsed by the API and PINZ, which is as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Fair Value

Fair Value is defined in the international valuation standards as-

'.. the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interest of the parties.'

International Financial Reporting Standards and other accounting standards define fair value as follows, this being generally synonymous with the concept of Market Value-

'...Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.'

We confirm that this valuation has been undertaken on the basis of the price that might reasonably be expected if the Property was sold at the date of valuation assuming:

- a willing, but not anxious, buyer and seller;
- a reasonable period within which to negotiate the sale, having regard to the nature and situation of the Property and the state of the market for property of the same kind;
- that the Property was reasonably exposed to that market;
- that no account is taken of the value or other advantages or benefit additional to market value, to the buyer incidental to ownership of the property being valued;
- that the current proprietor has sufficient resources to allow a reasonable period for the exposure of the Property for sale; and
- that the current proprietor has sufficient resources to negotiate an agreement for the sale of the Property.

Included within this valuation are lessor-owned items of building fixtures, fittings, plant and equipment. These items exclude all movable equipment, furniture, furnishings and tenant owned fit-out and improvements.

1.4 Relevant Valuation Standards & Disclosures

The valuations contained herein have been completed in accordance with current Australia and New Zealand Valuation and Property Standards, and in particular with:

- IVS (International Valuation Standards 2013) Framework and General Standards
- NZVGN 1 – Valuations for Use in New Zealand Financial Reports
- ANZVGN 1 – Valuation Procedures – Real Property
- ANZVGN 2 – Valuations for Mortgage & Loan Security Purposes
- ANZVGN 8 – Valuation for use in Offer Documents
- New Zealand Equivalent to International Accounting Standard 40 – Investment Property (New Zealand IAS40)

1.5 Information Sources

The information reviewed or previously provided includes, but is not limited to, the following:

- Certificate of Title particulars memorialised by Land Information New Zealand;
- Resource Management classifications and controls as stated within the District Plan of the governing Territorial Local Authority;
- Sales and leasing data from various industry sources, including sales and leasing real estate agents;
- Market research and forecasts from JLL Research; and
- Lease documentation, sale and purchase agreement, building areas, income and expenditure report, tenancy schedule and budgets supplied to us.

Our valuation is based on a significant amount of information which is sourced from the instructing party and other third parties, including but not limited to tenancy schedules, operating cost budgets, title, site and planning documents. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. Jones Lang LaSalle accepts no liability for any inaccuracies contained in the

information disclosed by our client or other parties, or for conclusions which are drawn either wholly or partially from that information. Should inaccuracies be subsequently discovered, we reserve the right to amend our valuation assessment.

1.6 Specific Assumptions

Our assessment as to value has been based on the following specific assumptions:

- The property is subject to an Agreement for Sale and Purchase dated 7 April 2017. The vendor is to provide various underwrites which are detailed in Section 5.1 of this report.
- We have relied on the tenancy schedule and lease documentation provided to us as being an accurate reflection of the occupancy situation.
- The vendor is to underwrite the outgoings shortfall for the car parking building for a period of 24 months from settlement. We have assumed that all outgoings for the car park building will then be fully incorporated into the outgoings budgets for 2, 3 and 4 Fred Thomas Drive and therefore fully recoverable from tenants.

2 Property Description

The property at 2 Fred Thomas Drive is improved with a three level building originally completed circa 1987 and recently subject to a major refurbishment. The building provides ground floor medical centre and cafe with two levels of offices above.

The adjacent property at 4 Fred Thomas Drive is improved with a three level building originally completed 1989. This building has also been refurbished over recent years and provides three levels of office accommodation plus a small portion of warehouse.

Situated between 2 and 4 Fred Thomas Drive is a multi-level car parking building known as 3 Fred Thomas Drive. This building has recently been completed and has a ground level medical tenancy with secured car parking to the rear and above.

The property is located on the fringe of the Takapuna commercial precinct and is well presented as a result of significant upgrades over recent years.

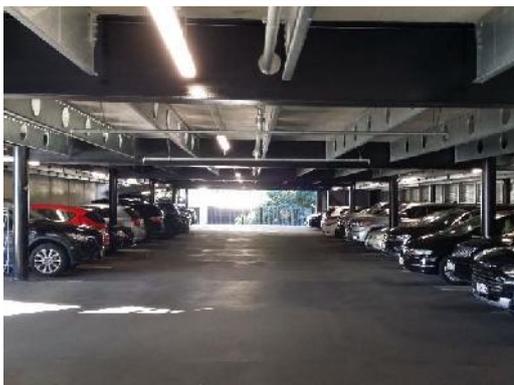


Exterior profile – 4 Fred Thomas Drive



Exterior profile – 3 Fred Thomas Drive

The property was a weighted average lease term remaining of 4.6 years by income and is leased to a variety of tenants. At the date of valuation part of level 2 at 4 Fred Thomas Drive was vacant and available for lease. This tenancy is subject to a vendor underwrite for a period of 24 months from the date of settlement.



Typical Floor in Car Park Building



Exterior profile – 2 Fred Thomas Drive

3 Land Particulars

3.1 Location

The property is located within a popular semi commercial and industrial zone situated to the fringe of Takapuna on Auckland's North Shore.

More specifically located on the eastern side of Fred Thomas Drive immediately south of its junction with Anzac Street and at the corner with Des Swann Drive. Opposite the subject on the western side of Fred Thomas Drive is Barrys Point Reserve with a golf driving range, St Josephs Primary School, Community House and Rosmini College.

Surrounding development comprises mainly older industrial type buildings, some of which have been refurbished into showroom space and are now of a more modern appearance. The 24 hour Countdown supermarket is located to the north as is a retail/office and service station development on the corner of Barrys Point Road and Anzac Street. The 134 unit Shoal Haven apartment development directly adjoins the subject to the north and was completed mid/late 2007. This type of development is indicating a growing trend in the area.

The following map identifies the approximate location of the Property:



Source: Google Maps

A major feature of this location is the roading system which has been upgraded over recent years and includes the extension of Fred Thomas Drive through to Esmonde Road (creating a parallel route to Barrys Point Road), various new interchange and road widening works, new motorway connections at the Esmonde Road overbridge, and a major busway station (Akoranga). The latter is a particular feature as the subject is the nearest office park to the station and therefore very attractive for commuters. The busway station opened in February 2008. Fred Thomas Drive is now part of a busy commuter network, with heavy peak hour traffic flows and a bus lane/cycle way.

The vacant site to the south of 4 Fred Thomas Drive sold in 2014 and we understand the purchaser intends to open a luxury car dealership.

In summary, an easily accessible fringe business locality suitable for the current uses with good locational attributes and transport links.

3.2 Title Particulars

The property is held on three separate Computer Freehold Registers which are summarised below:

2 Fred Thomas Drive

Title Reference:	Identifier 89B/718, North Auckland Registry
Tenure:	Fee Simple
Legal Description:	Lot 1, Deposited Plan 150159
Area:	5,915 square metres
Registered Proprietor(s):	Fred Thomas Drive Investments Limited
Encumbrances:	The Certificate of Title details the following encumbrances: <ul style="list-style-type: none"> • A256162, A256165, A256160 & A333336 certifying the line of a trunk sewer • Subject to an electricity right (in gross) over part marked C on DP 1510159 in favour of the Waitemata Electric Power Board created by Transfer C205801.1 • Appurtenant hereto is a parking right specified in Easement Certificate C363382.4 • The Easements specified in Easement Certificate C363382.4 are subject to Section 243(a) Resource Management Act 1991 • Appurtenant hereto is a right of way created by Easement Instrument 7421214.5 • 8651186.6 Mortgage to Bank of New Zealand • 8651186.7 Mortgage to (now) Northcote Rd Holdings Limited, Finnmore Holdings Limited, Graham Maxwell Drury, Gloria Kaye Drury, SRHB 2006 Trustee Company Limited, Gregory John Smale, Felicity Lexy Smale, Keegan Alexander Trustee Company Limited and Shea Investments Limited • 10048219.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (ALSO AFFECTS NA89B/719) • 10073679.1 Variation of Mortgage 8651186.6

Source: Land Information New Zealand

Title Reference:	Identifier 88C/125, North Auckland Registry
Tenure:	Fee Simple
Legal Description:	Section 1, Survey Office Plan 61394
Area:	17 square metres
Registered Proprietor(s):	Fred Thomas Drive Investments Limited
Encumbrances:	The Certificate of Title details the following encumbrances: <ul style="list-style-type: none"> • Subject to an electricity right (in gross) over part in favour of The Waitemata Electric Power Board created by Transfer C205801.1

- 8651186.6 Mortgage to Bank of New Zealand
- 8651186.7 Mortgage to (now) Northcote Rd Holdings Limited, Finnmore Holdings Limited, Graham Maxwell Drury, Gloria Kaye Drury, SRHB 2006 Trustee Company Limited, Gregory John Smale, Felicity Lexy Smale, Keegan Alexander Trustee Company Limited and Shea Investments Limited
- 10073679.1 Variation of Mortgage 8651186.6

Source: Land Information New Zealand

4 Fred Thomas Drive

Title Reference:	Identifier 89B/719, North Auckland Registry
Tenure:	Fee Simple
Legal Description:	Lot 2, Deposited Plan 150159
Area:	9,291 square metres
Registered Proprietor(s):	Fred Thomas Drive Investments Limited
Encumbrances:	<p>The Certificate of Title details the following encumbrances:</p> <ul style="list-style-type: none"> • A256162, A256165, A256160 & A333336 certifying the line of a trunk sewer • Subject to an electricity right (in gross) over part marked D & E on DP 150159 in favour of the Waitemata Electric Power Board created by Transfer C205801.1. • Subject to a parking right over parts marked A and D on DP 150159 specified in Easement Certificate C363382.4. • The easements specified in Easement Certificate C363382.4 are subject to Section 243 (a) Resource Management Act 1991. • 8651186.6 Mortgage to Bank of New Zealand • 8651186.7 Mortgage to (now) Northcote Rd Holdings Limited, Finnmore Holdings Limited, Graham Maxwell Drury, Gloria Kaye Drury, SRHB 2006 Trustee Company Limited, Gregory John Smale, Felicity Lexy Smale, Keegan Alexander Trustee Company Limited and Shea Investments Limited • 10048219.1 CERTIFICATE PURSUANT TO SECTION 77 BUILDING ACT 2004 THAT THIS COMPUTER REGISTER IS SUBJECT TO THE CONDITION IMPOSED UNDER SECTION 75(2) (ALSO AFFECTS NA89B/718) • 10073679.1 Variation of Mortgage 8651186.6

Source: Land Information New Zealand

The Certificate pursuant to Section 77 Building Act 2004 that computer registers 89B/718 and 89B/719 are subject to the condition imposed under Section 75(2) relates to the new building at 3 Fred Thomas Drive that spans the boundary of 2 and 4 Fred Thomas Drive. Building consent was issued subject to the condition that the specified allotments must not be transferred or leased except in conjunction with the other allotment.

Easement Certificate C363382.4 - There is a parking easement over a substantial part of 4 Fred Thomas Drive in favour of 2 Fred Thomas Drive accounting for approximately 90 car parking spaces. The building at 3 Fred Thomas Drive has been constructed over part of this area. This easement is effectively obsolete and accordingly we have disregarded the parking easement in terms of our valuation. We proceed on the basis that the easement can be removed from the titles, if necessary.

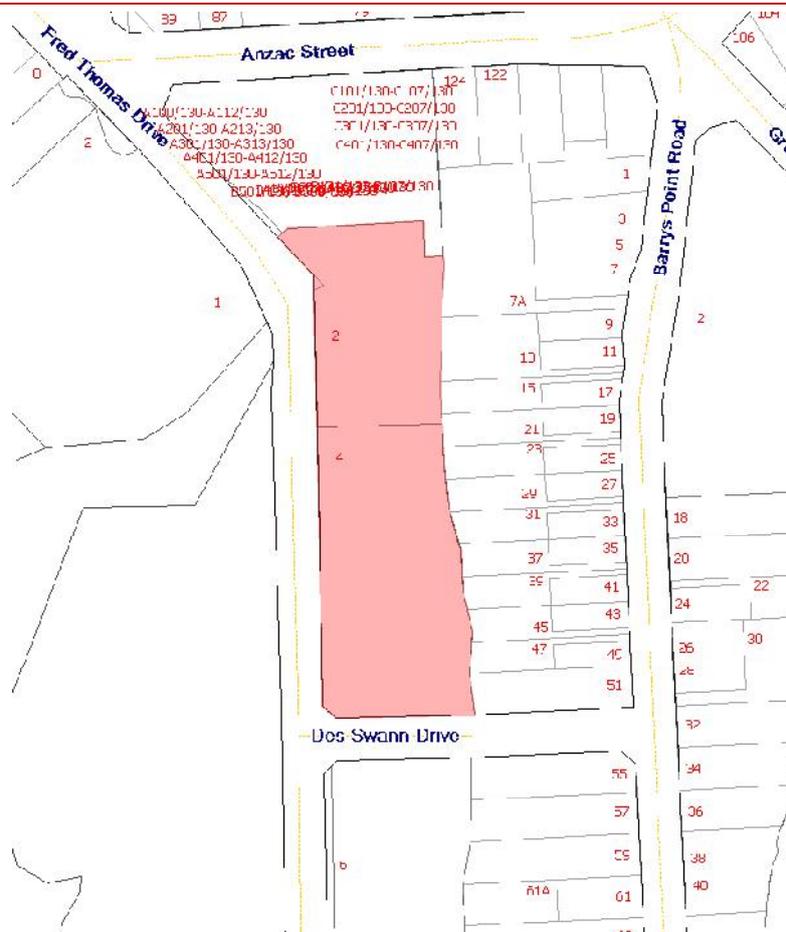
We have considered these notifications in arriving at our opinion of value. For a detailed summary of the dealings noted above, we refer you to the Certificates of Title appended to this report.

Our valuation is made on the basis that the Property is free of any further unregistered encumbrances, restrictions, mortgages, charges, and other financial liens or other impediments of an onerous nature, which would affect value.

3.3 Site Details

The following description is for the combined site.

Shape:	Near rectangular
Site Areas:	2 Fred Thomas Drive – 5,919 square metres 4 Fred Thomas Drive – 9,291 square metres
Dimensions	Frontage to Fred Thomas Drive of approximately 225 metres with an average depth of some 65 metres
Contour	Generally level throughout the area of the site with development of improvements at the northern and southern ends. The northern portion of the site rises in sympathy with the road. A terrace car park has been created.
Location of Current Buildings:	The buildings are located at the northern and southern ends whilst the centre of the site is asphalt sealed for car parking.
Location of Proposed Building:	The proposed building will be constructed on the open car park area between 2 and 4 Fred Thomas Drive.
Accessibility:	From Fred Thomas Drive and Des Swann Drive. A service lane adjoins the northern boundary of 2 Fred Thomas Drive. This was upgraded as part of the work on Shoalhaven Apartments which occupies the adjacent site to the north.



3.4 Resource Management

Local Authority: Auckland Council

Planning Instrument: Auckland Unitary Plan – Operative in Part 15 November 2016

Business - Mixed Use Zone

The Business - Mixed Use Zone is typically located around centres and along corridors served by public transport. It acts as a transition area, in terms of scale and activity, between residential and business zones. It also applies to areas where there is a need for a compatible mix of residential and employment activities.

The zone provides for residential activity as well as predominantly smaller scale commercial activity that does not cumulatively affect the function, role and amenity of centres.

Objectives:

- Moderate to high intensity residential and employment opportunities are provided for, in areas in close proximity to, or which can support the City Centre, Metropolitan and Town Centre zones and the public transport network.
 - Activities within the zone do not compromise the function, role and amenity of the city centre and business zones.
 - A mix of compatible residential and non-residential activities is encouraged.
 - Mixed Use Zone areas have a high level of amenity.
-

Development Controls:

The Mixed Use zone provides for a range of commercial activities that will not compromise the function, role and amenity of the City Centre and Business zones beyond those effects ordinarily associated with trade effects on trade competitors.

Building Height (subject to Height Variation Control):

- Occupiable building height: 16m
- Height for roof form: 2m
- Total building height: 18m

Yards:

- Rear: 3m where the rear boundary adjoins a residential zone or the special purpose zone
- Side: 3m where the side boundary adjoins a residential zone or the special purpose zone
- Riparian: 10m from the edge of all permanent and intermittent streams

Landscape:

- Landscape buffer of 2m in depth must be provided along the street frontage between the street and car parking, loading, or service areas which are visible from the street frontage.

Minimum dwelling size:

- 30sqm for studio dwellings
- 45sqm for one or more bedroom dwellings

Building setback at upper floors:

- Opposite a residential zone: 6m minimum setback, 18m height
- All other zones: 6m minimum setback

Permitted activities include, but are not limited to: dwellings, integrated residential development, supported residential care, commercial services, drive-through restaurants, entertainment facilities, food and beverage, offices up to 500 sqm gross floor area per tenancy, retail up to 200 sqm gross floor area per tenancy, supermarkets up to 450 sqm gross floor area per tenancy, healthcare facilities, hospitals, education and recreation facilities and repair and maintenance services.

Non complying activities include: cinemas, industrial activities and waste management facilities.

The existing improvements would appear to comply with the resource management requirements of the site. Further we have assumed that the property benefits from existing use rights or has applicable Resource Consent approval/s.

3.5 Rateable Value

We have been advised that the Property's Rateable Value, as at 1 July 2014 is as follows:

	2 Fred Thomas Drive	4 Fred Thomas Drive
Land Value	\$2,950,000	\$4,175,000
Improvements Value	\$11,050,000	\$14,025,000
Capital Value	\$14,000,000	\$18,200,000

Capital Value, defined by S2(1) Rating Valuations Act 1998, is the sum that the owner's estate or interest in the land, if unencumbered by any mortgage or other charge, might be expected to realise at the time of valuation if offered for sale on such reasonable terms and conditions as a bona fide seller might be expected to require.

We note however that rating valuations do not take account of a number of key issues affecting value, and are often assessed on an indexed or kerb-side basis. Accordingly market and rating values may vary significantly.

3.6 Environmental Issues

Contamination

We are aware the property has ongoing contamination by way of emission of toxic gas (methane) due to the prior history of the site as a landfill run by Takapuna City Council. The area of the former landfill extends further south towards the motorway system and Esmonde Road and the subject sits on the edge of the former landfill.

We note the building has gas alarm and monitoring systems and also point out the vented trench around both buildings which serves to extract the gas away from the site.

We are aware that formerly this property was of a leasehold nature with the lessor's interest held by North Shore City Council and the lessee's interest running with the owner of the building. We understand the site was subsequently freeholded and the two interests merged in circa 1991. We also understand that following High Court action in circa 1998 the North Shore City Council (being the vendor of the land) has been held responsible by the Courts for ongoing monitoring of the property for an indeterminate period of time.

We have been advised by Fred Thomas Drive Investments that the alarms have been disconnected as the risk is now considered very low. Methane and land fill gases naturally diminish over time. We have been further advised that any monitoring of the site is at Council's cost and they maintain the system. Our previous enquiries with Auckland Council confirm that the property has been taken off their list of monitored sites.

Council also confirm that the land at both 2 and 4 Fred Thomas Drive is identified as contaminated however any contamination is at an acceptable level.

We also note the new Shoalhaven Apartment development adjoining immediately to the North has been built on similar land and a gas venting system has been incorporated in the building.

We point out the following disclaimers and recommendations to lenders:

- The stated value estimates are on the assumption that there is no material on or in the property that would cause loss in value. No responsibility is assumed for any such conditions and we advise that the valuer is not qualified to detect such substances, quantify the impact on values or estimate the remedial cost;
- Whilst due care has been taken to note any contamination liability, our investigations have been undertaken for valuation purposes only and this report does not constitute an

environmental audit. Unless otherwise stated no account has been taken of the effect on value due to potential contamination or pollution;

- We recommend any lender should satisfy themselves as to the contamination issues raised and seek appropriate expert advice as they see fit before lending against the property.

We reserve the right to amend our valuation, if necessary, if provided with further information regarding potential site contamination.

Soil stability

As mentioned above the site was a former landfill. We have completed our valuation on the basis that an engineer was engaged to design appropriate foundations and structure for the buildings.

During the course of our inspection we did not notice any evidence of land or building contamination. Importantly, however, we are not experts in the detection or quantification of environmental problems and we have not sighted an Environmental Audit.

Our valuation has been made assuming an audit would be available which would satisfy all relevant environmental, and occupational health & safety legislation. If the Property's current status needs to be clarified, an Environmental Audit should be undertaken and should any subsequent investigation show that the site is contaminated, this valuation may require revision. Our valuation excludes the cost to rectify and make good the Property, which may have become contaminated as a result of past and present uses.

3.7 Heritage

We have not undertaken any formal heritage searches; the property is not notified on the District Plan as being a heritage structure and our valuation is made on the assumption that there are no heritage issues relating to the Property. If any heritage issues are found to relate to the Property, we reserve the right to review our valuation.

4 Improvements

4.1 Overview

The property at 2 Fred Thomas Drive is improved with a three level building originally completed circa 1987 and recently subject to a major refurbishment. The building provides ground floor medical centre and cafe with two levels of offices above.

The property at 4 Fred Thomas Drive is improved with a three level building originally completed 1989. This building has also been refurbished over recent years and provides three levels of office accommodation plus a small portion of warehouse.

In between 2 and 4 Fred Thomas Drive is a multi-level car parking building known as 3 Fred Thomas Drive. This building has a ground level medical tenancy with secure car parking to the rear and above.

2 Fred Thomas Drive

General construction comprises reinforced concrete frame, concrete ground floor slab over driven steel piles, concrete floors to the upper levels, glass curtain wall exterior to most of the building, concrete block to part and aluminium window and door joinery.

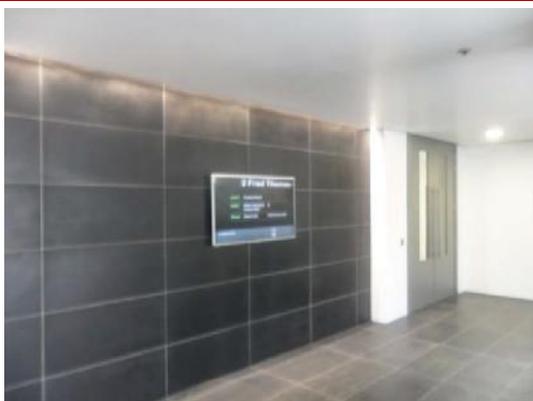
The interior finish comprises predominantly suspended ceilings incorporating sprinklers and inset fluorescent / LED lighting. The building is air conditioned with ducting vents evident through ceilings. The main entry foyer for the building is situated on the southern side of the building and in turn provides access to corridor that extends through the medical centre and to the northern side of the building.



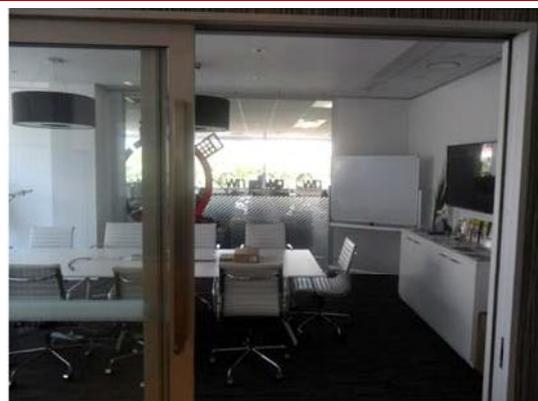
Ground floor – Pharmacy



Ground floor – Medical Centre

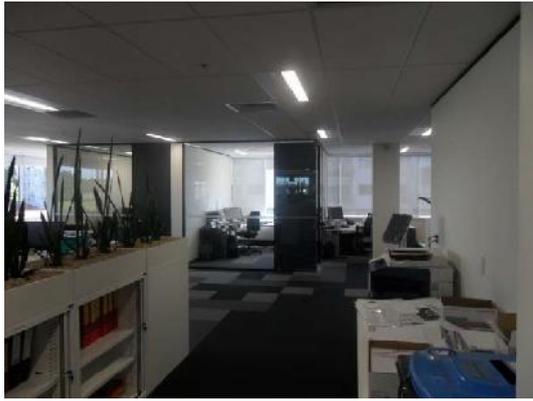


Lobby



Wireless Nation – Level 1

The office entry has recently been refurbished to a high standard with tiles to floors and walls. Access to the upper office floors is available from both a lift and stairwell located in the entry lobby. All tenancies have proximity card access.



Typical office space – Level 2



Expansion space – Level 2

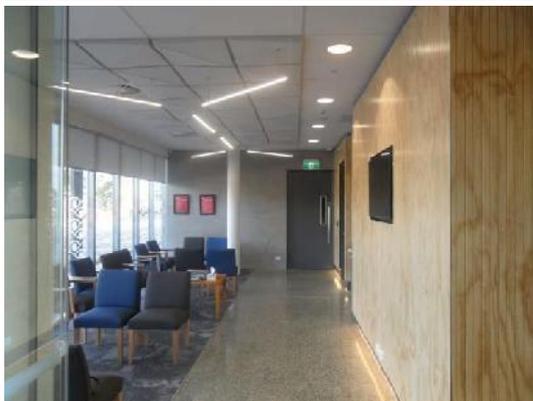
Mens and women's toilet facilities are located on each floor and have been upgraded to a modern standard featuring tiled floors and walls to part height.

The building has been transformed over recent years with work completed including the following:

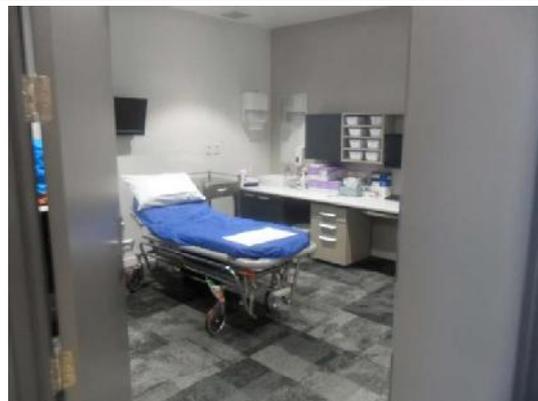
- The demolition of part of the ground floor (bowling alley);
- Conversion of ground floor space into separate medical/retail tenancies with new glazed shop fronts and frameless glass doors;
- New canopies to the southern and northern elevations of the building;
- The roof has been coated with a noxyde waterproof membrane;
- The windows have been resealed with existing rubbers removed and replaced with structural silicone;
- A new deck/walkway at ground floor level extending around the southern, western and northern elevations of the building;
- Refurbishment of the lobby areas and the majority of office tenancies;
- The complete refurbishment and/or replacement of buildings services and lift;
- The addition of sealed car parking areas and remarking the current parking areas. The customer car parks on the northern side of the building have sensors to monitor the length of time vehicles are parked for and transmit the data to the building manager for analysis.

3 Fred Thomas Drive

Construction of this building was recently completed and comprises a multi-level car parking building with ground level medical tenancy on land previously used for open car parking between 2 and 4 Fred Thomas Drive. The car parking building provides an additional 117 car parks to the site (net of spaces that were lost) and a ground floor medical tenancy of approximately 531 sqm. This has been leased to Auckland Eye who also leased 30 open car parks directly to the front of the building. A small portion of the ground floor has been partitioned off by the tenant and is sub-leased to Canopy Cancer Care.



Auckland Eye – Reception waiting area



Auckland Eye – Consultation room

The car parking building comprises:

Level	Type	Area/Car Parks
Ground floor	Medical	531 sqm
Ground floor	Front open car parks	30
Ground level	Covered car parks	29
Level GA	Covered car parks	23
Level 1	Covered car parks	28
Level 1A	Covered car parks	23
Level 2	Covered car parks	28
Level 2A	Covered car parks	23
Level 3	Open car parks	28
Level 3A	Open car parks	23

4 Fred Thomas Drive

The existing building consists of three levels with the upper two tower levels designed as offices and the ground floor level originally designed as offices, gymnasium and warehousing. The building has been designed as two independent blocks with a rectangular block (Block 1) which forms the bulk of the building and an annex (Block 2) to the eastern side of the structure which forms the double height warehouse area with offices above.

General construction of Block 1 comprises reinforced concrete frame, concrete ground floor slabs over driven steel piles, timber floors to part of level 1 over the former gymnasium area with the remainder of level 1 and level 2 having concrete floors, glass curtain wall full length tinted glazing to exterior set back from structural columns and beams to provide architectural character. Joinery is aluminium and we understand the roof to be metal.

The structure of Block 2 consists of pre-stressed Dycore flooring units with an in-situ concrete topping supported onto reinforced concrete gravity frames at Level 2 only. The perimeter of the building on three sides consists of reinforced masonry sheer walls. The ground floor slab is a suspended Dycore flooring system similar to the upper levels but this floor is supported onto ground beams. The entire ground floor is suspended and has been founded onto steel driven piles.



Typical office space – Riley Consultants (Part Level 1)



Staff Kitchen – Riley Consultants (Part Level 1)



Warehouse Storage



Amplifon tenancy

Internal linings comprise suspended ceilings incorporating fluorescent / LED lighting and sprinklers as well as airconditioning ducts.

The work to this building completed over recent years includes the following:

- A comprehensive refurbishment of the lobby/entrance foyers;
- New lifts;
- New fitout to various office tenancies;
- Repainting the building;
- Repainting and recarpeting of stairwells;
- The roof has been coated with a noxyde waterproof membrane;
- Proximity card access to tenancies;
- An upgrade of the air-conditioning systems, and;
- The remarking and re-sealing of the car park areas with the addition of barrier arms.

Toilet facilities vary slightly from floor to floor and have been upgraded to a modern standard.

The office accommodation in the building is of an average to good standard being airconditioned and receiving good natural light from the west. The outlook from this building is largely over the school and reserve on the western side of Fred Thomas Drive and surrounding developments to the east and south.

The upper floors receive good views to the south across the inner harbour to the Auckland Central Business District. A number of tenancies have been refurbished in recent years with the landlord modernising tenancies as they become available.

The southern portion of Level 2 has been leased to Amplifon. The northern portion which was previously occupied by The Warehouse has been leased to the Electoral Commission on a short term basis commencing March 2017. There may be potential for this area to be further subdivided in the future to suit tenant demand. A small tenancy on level 2 of approximately 307 square metres is currently vacant and is subject to a vendor underwrite.

On the eastern side of the building is a small area of warehouse with a 6.6 metre stud height and a recessed loading dock entry via a roller door. There may be potential to convert the unused warehouse space to storage units if there was sufficient demand. Storage cages have been installed in the warehouse and are leased to a variety of tenants.

4.2 Car Parks

With the completion of the car parking building there are approximately 446 car parking spaces provided on site. This translates to a ratio of 1 space per 27 sqm of floor area (excluding the warehouse) which is considered to be a good ratio for suburban office buildings where tenants often require greater numbers of car parks in comparison to CBD or CBD fringe office buildings.



Car park building



Open car parking

4.3 Lettable Areas

The Property's total Net Lettable Area (NLA) is approximately 12,263 square metres. A summary of this lettable area is detailed as follows:

Accommodation / Level	
2 Fred Thomas	
Ground Floor	1,505
Level 1	1,298
Level 2	1,313
Total	4,115 square metres
3 Fred Thomas	
Ground Floor	531
Total	531 square metres
4 Fred Thomas	
Ground Floor	2,060
Level 1	2,142
Level 2	2,731
Warehouse	630
Total	7,563 square metres
Total NLA	12,209 square metres
Car parking	
Unallocated spaces	255
Allocated spaces	162
Allocated Cov spaces	29
Total Car parking	446 spaces

The areas noted above have been taken from certified floor area plans completed by a registered surveyor in accordance with the Guide for the Measurement of Rentable Areas as published by the Property Institute and Property Council of New Zealand.

The warehouse comprises a total lettable area of approximately 684 square metres however it has been subdivided to create various 'leased' areas occupied by tenants within the building. In our opinion it may be possible to lease out further space but not the total amount that is currently remaining as common access corridors would be required to ensure tenants can access to their storage cages.

4.4 Condition and Repair

We inspected the interior and exterior of the property. The buildings appears to have been well maintained with no significant deferred maintenance requirements evident.

We have been provided with a copy of a building condition report from Prendos dated 17 May 2017. The report outlines a number of items that may require attention over the medium to long term, some of which would be covered through repairs and maintenance as part of the usual building outgoings. Major items include roof repairs / replacement for both 2 and 4 Fred Thomas Drive along with replacement of the seals to the curtain wall glazing system of 2 Fred Thomas Drive. We have however been advised that the roofs of 2 and 4 Fred Thomas Drive have recently been coated with a noxyde waterproof membrane which is subject to a 10 year warranty. We have also been advised that the window seals at 2 Fred Thomas Drive were replaced in 2015.

We have made allowances for future capital expenditure in our cash flow horizon and this is detailed further in Section 5.7 of this report.

Our valuation has had regard to the apparent state of repair and condition of the Property; however, we were not instructed to carry out a structural survey or to test any of the services available to the Property. We are therefore unable to report that the Property is free from further defect and we have assumed that no deleterious material was used in the construction.

We note that the buildings have several features that impose a requirement to obtain an annual Building Warrant of Fitness. We are able to confirm that we have sighted current Warrants of Fitness for 2 and 4 Fred Thomas that expire on 13 July 2017.

A Compliance Schedule has been issued for 3 Fred Thomas Drive and expires 4 April 2018.

4.5 Earthquake Strengthening Requirements

Following recent events around the Christchurch region, more focus has been placed on seismic ratings of buildings, particularly in those areas known to be at risk of earthquakes. The Building Act 2004 required Councils to adopt an earthquake prone building policy to ensure all earthquake prone buildings are either strengthened to at least meet the minimum prescribed standard, or are demolished. Policies vary between Councils and often depend on the date of construction as to the course of action undertaken.

The Building Act 2004 and Building Regulations 2005 define the meaning of an “earthquake-prone building”. As a general guide, an earthquake-prone building will have a strength that is 33% or less of the seismic loading standard NZS1170.5:2004.

We have sighted Initial Evaluation Procedure (IEP) Assessments in accordance with the New Zealand Society for Earthquake Engineering for both 2 and 4 Fred Thomas Drive.

The IEP assessment for 2 Fred Thomas Drive is dated April 2012 and was completed by Stephen Mitchel Engineers Limited. This building has been assessed at 146% of NBS or grade A+.

The report, by the same engineers, for 4 Fred Thomas Drive is dated June 2012 and this building has been assessed at 102% of NBS or grade A+.

We have not sighted an IEP assessment for the recently completed building at 3 Fred Thomas Drive, however given that the building has recently been completed we assume that it meets current code requirements.

We note there may be instances where a building has been classified as not being earthquake prone under the Building Act, however is still unable to be insured. We strongly recommend all affected parties (building owners, lenders and occupiers) seek clarification on the insurability of the subject building. In the event that such investigation reveals that insurance cover is not able to be obtained then we reserve the right to revisit and if necessary amend our valuation report.

5 Property Income and Expenditure

5.1 Tenancy Overview

We have been provided with a tenancy schedule and also with Lease documentation that was available at the time of valuation. We have relied on this information in forming our opinion of market value.

The major tenants within the Property are summarised as follows:

Tenant	Net Income	NLA	% NLA
1. Peak Primary	\$615,160	1,360	11.1%
2. Amplifon	\$418,982	1,220	9.9%
3. Property Partners	\$400,463	1,313	10.7%
4. Electoral Commission	\$386,618	1,222	10.0%
5. AON New Zealand	\$361,845	1,203	9.8%
Balance of Tenants	\$2,084,787	5,945	48.5%
Total	\$4,267,854	12,263 m ²	100%

For the readers reference lease summaries for the major tenants are appended to this report.

Vendor Underwrites

The Sale and Purchase Agreement (and subsequent addendum) outlines the following vendor underwrites which we have adopted in our valuation. These are summarised as follows:

- The landlord will underwrite the vacant warehouse space in 4 Fred Thomas Drive at a rental based on a rate of \$125 per sqm (\$19,730 plus GST per annum) for a period of 24 months.
- The landlord will underwrite the mezzanine storage in space in 4 Fred Thomas Drive at a rental based on a rate of \$125 per sqm (\$11,250 plus GST per annum) for a period of 24 months.
- The landlord will underwrite the vacant space on level 2 of 4 Fred Thomas Drive at a rental based on \$275 per sqm for the offices and 11 car parks at \$45 per space per week for a period of 24 months from settlement date (total of \$110,209 plus GST per annum) plus outgoings.
- The rent (but not outgoings) payable by Property Partners Limited in respect of its tenancy on level 2, 2 Fred Thomas Drive including car parks, which shall be underwritten to the extent that it is less than \$33,371.92 per month plus GST (\$400,463 per annum) for the period ending on 31 August 2018.
- The shortfall between the fixed sum of \$118,997 per annum plus GST (on account of the budgeted cost of operation of the car park at 3 Fred Thomas Drive) and the amount recoverable from tenants of the property (budgeted to be \$37,480 plus GST for the financial year ending 31 March 2018 and \$92,078 plus GST for the financial year ending 31 March 2019), which shall be underwritten for 24 months from the settlement date. The vendor will supply the purchaser with reasonable evidence of the budgeted costs of operation of the car park during the purchaser's due diligence investigations, to verify calculation of the fixed sum of \$118,997 per annum plus GST, which will be adjusted accordingly if it cannot be so verified. The underwritten shortfall for the financial year ending 31 March 2018 will be calculated on a pro-rata basis from settlement.
- The 1,222 sqm area on level 2 of 4 Fred Thomas Drive, and associated 6 car parks, currently leased to The Electoral Commission, shall be underwritten for a period of 12 months commencing on 1 January 2018 at \$368 per sqm (gross rental) and \$47.50 per park per week plus GST (total \$464,820 per annum plus GST).
- We have been advised that Calamp are to vacate their tenancy upon lease expiry which has been extended by 3 months to 31 October 2017. The vendor is to underwrite this tenancy for a

period of 24 months to 31 October 2019 at a rental of \$260 per sqm plus GST and outgoings and car parks at \$40 per park per week.

- The GN Resound tenancy is underwritten for a period of 24 months from 31 October 2017 at a rental of \$250 per sqm plus GST and outgoings and car parks at \$36 per park per week.
- The Spencer Henshaw rent review from 2016 is in the process of being actioned. The vendor has provided an underwrite over the office premises only at \$235 per sqm.

2 Fred Thomas Drive

Peak Primary Limited (trading as The Doctors) is the largest tenant in the building and has subleased part of their ground floor space to a pharmacy, radiologist, physiotherapy clinic and an Eye Specialist. The lease to Peak is for an initial term of twelve years with further rights of renewal. The initial commencing rent was set at \$367,232 per annum increasing to \$571,237 per annum after 11.5 months. The rent is reviewed three yearly subject to fixed increases of 2.5% per annum. We calculate the net effective rent to be around \$335 per square metre for the premises and an average of \$28.50 per space per week for the car parks.

Peak Primary Limited is owned by Green Cross Health who have a number of practices throughout New Zealand. 'The Doctors' is the main patient-facing brand and Green Cross also support medical centres trading under other brands. Each medical centre in the network operates as a separate business, with a range of ownership models such as independently owned by working doctors, jointly owned by Green Cross Health and working doctors, and in some case wholly owned by Green Cross Health.

The landlord made a contribution towards the hard fitout of this tenancy which is reflected in the face rent. The tenant completed the balance of the fitout at their own cost.

There are 61 parking spaces allocated to Peak Primary of which 21 are for their exclusive use. The remaining 40 spaces and the 10 parking space allocated to the cafe are to be shared.

Other major tenants in this building include Property Partners who have leased all of level 2 for a term of 6 years. The rental is stepped over the initial four years of the term allowing the tenant to expand into the space. The vendor is providing an underwrite over the Property Partners stepped rent increases which effectively means that a purchaser will receive the full rental from settlement. We understand that the tenant is marketing part of the floor for sublease.

4 Fred Thomas Drive

This building has a diversified range of tenants with several such as Aon, having occupied space in the building for a number of years. Aon has recently renewed for a further term of six years. The annual rental during the renewal term is to be reviewed annually in accordance with CPI movements, however as at the renewal date the rent is to be reviewed to market.

Riley Consultants were previously on level 2 of the building and have taken a new 6 year 6 month lease over a refurbished tenancy on level 1. The landlord provided a 7 month rent free incentive. The rent is subject to annual CPI reviews. This office tenancy has been fitted out to a high standard.

Part of Level 2 has recently been leased to Amplifon who are relocating from Smales Farm. The lease is for a term of nine years with the annual rent set at \$418,982 per annum. The company was founded in Milan in 1950 and is now a global business active in 22 countries and with headquarters in Italy.

Yachting NZ Incorporated have a break clause in their lease that can be activated by the tenant after two years following the commencement date. The tenant must provide a minimum of three months written notice and there is no penalty payable. For the purpose of our valuation we have adopted an expiry date of 14 December 2017 (3 years from commencement) for this tenancy.

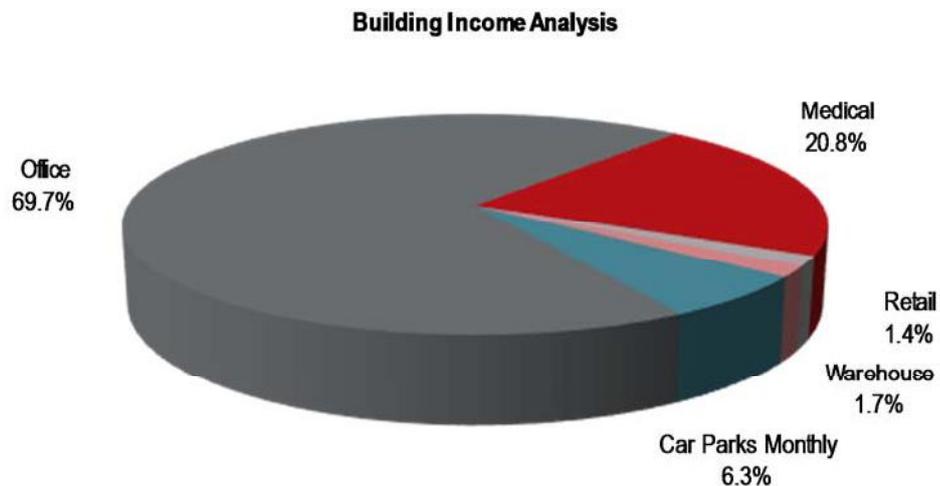
3 Fred Thomas Drive

The ground floor medical tenancy has been leased to Auckland Eye for a term of 10 years at a face rental of \$400 per square metre. Auckland Eye have completed their own fit out to a high specification including surgical theatres and consultation rooms.

5.2 Building Income Analysis

We summarise the Property's income as follows:

Passing Income Component	Net Income	% Income
Office	\$2,974,129	69.7%
Medical	\$889,824	20.8%
Retail	\$61,011	1.4%
Warehouse	\$72,490	1.7%
Car Parks Monthly	\$270,400	6.3%
Total	\$4,267,854	100%



5.3 Building Vacancy

As at the date of valuation, the Property was fully leased with a small portion of office space on level 2 and part of the warehouse of 4 Fred Thomas Drive being physically vacant but subject to a vendor underwrite.

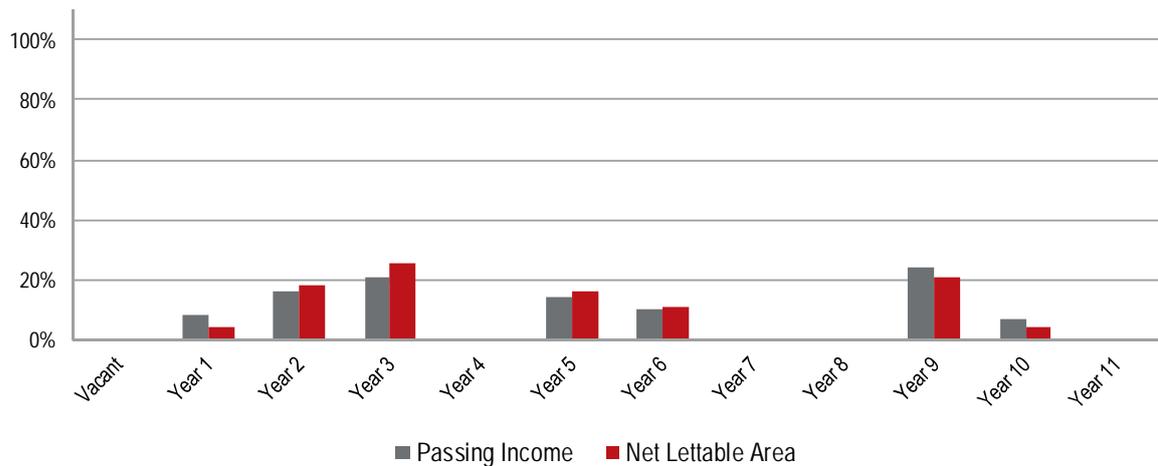
5.4 Weighted Average Lease Term and Expiry Profile

The weighted average lease term remaining, as at the date of valuation, is:

Weighted Average Lease Term Remaining	Years
By Area	4.45
By Income	4.64

The graph below demonstrates the lease expiry profile (by income and area) over a ten year horizon:

Lease Expiry Profile



5.5 Building Outgoings and Recoveries

Lease Structures

The majority of the leases within the Property are structured on net basis, with the tenants being responsible for payment of rates and other property expenses in addition to premises rental.

Building Outgoings

We have been provided with an outgoings budget for each building for the year ending 31 March 2017, which include costs associated with the car park building and are summarised in the table below:

Category	Annual Amount	\$/sqm of NLA
2 Fred Thomas Drive (incl Ground Floor Medical at 3 Fred Thomas)		
Statutory Charges	\$88,165	\$18.98
Operating Expenses	\$229,287	\$49.35
Total Outgoings	\$317,452	\$68.33
4 Fred Thomas Drive (Offices)		
Statutory Charges	\$112,556	\$16.23
Operating Expenses	\$330,988	\$47.74
Total Outgoings	\$443,544	\$63.97
4 Fred Thomas Drive (Warehouse)		
Statutory Charges	\$4,898	\$7.16
Operating Expenses	\$11,754	\$17.18
Total Outgoings	\$16,652	\$24.34
Total Outgoings Whole Property	\$777,648	

We have had regard to the budget provided and where applicable we have sought confirmation from the relevant rating authorities in relation to the statutory charges and have benchmarked the figures against the Property Council of New Zealand's (PCNZ) guidelines and other similar office buildings.

We consider that the adopted outgoings rates per square metre of NLA are in line with market parameters for other similar suburban office buildings.

5.6 Outstanding/Remaining Incentives

We have been advised that there are no outstanding incentives.

5.7 Capital Expenditure

The landlord has recently completing a number of capital expenditure items including coating the roofs of 2 and 4 Fred Thomas Drive with a waterproof membrane and a new chiller at 4 Fred Thomas Drive.

In addition to the above the landlord has also completed the base build refurbishment work on level 2 for the Amplifon tenancy. This tenancy is now presented to a high standard.

We have however made nominal capital expenditure allowances in each year of our cash flow forecast from year 3 onwards to account towards future landlord costs that may be incurred. Details are summarised in the table below:

Capital Expenditure Budget	
Year 1	\$0
Year 2	\$0
Year 3	\$20,000
Year 4	\$30,000
Year 5	\$40,000
Year 6	\$40,000
Year 7	\$40,000
Year 8	\$50,000
Year 9	\$50,000
Year 10	\$50,000
Total Scheduled Capital Works	\$320,000

5.8 Income Analysis

We summarise the Property's total Passing Income and Income Fully Leased as follows:

Current Passing Rent	Amount pa	% of Passing Income
Passing Rental Analysis		
Lettable Area Rental	\$3,437,607	68.13%
Carparking Rental	\$911,242	18.06%
Outgoings Recovery	\$696,654	13.81%
Gross Passing Income	\$5,045,502	100.00%
Outgoings	\$777,648	
Net Passing Income	\$4,267,854	
Potential Net Income Fully Leased	\$4,267,854	

6 Market Commentary

6.1 Economic Summary

The New Zealand economy gained momentum over 2016, buoyed by a continued high number of people coming to live and visit, and a recovery in global dairy prices. Strong net migration and a high number of tourist inflows is boosting construction activity and retail spending. Meanwhile, the effects of higher dairy income are evident in strengthening business confidence in the rural regions. Business confidence in Southland rose to its highest level since early 2014.

The earthquakes in Kaikoura and Seddon disrupted business activity and caused substantial damage to infrastructure and buildings in the regions directly affected. Some sectors such as tourism in the affected regions have borne the economic brunt, but the aggregate economic effect of the earthquakes on the New Zealand economy has been modest.

Offshore, the growing shift towards protectionism and increased uncertainty over global relations means downside risks for a small open economy such as New Zealand. While there is the expectation that many of President Trump's policies will have an expansionary impact on the US economy in the short term, rising Government debt levels from any tax cuts and spending spree are likely to be negative for the US economy in the long run. Meanwhile, the UK is set to invoke Article 50 by the end of March, following which negotiations for the UK to exit the European Union will commence.

The introduction of further macro-prudential measures late last year with increased deposit requirements for all property investors taking out new mortgages has had a dampening effect on the housing market. However, strong migration-led population growth should continue to support housing demand over the coming years.

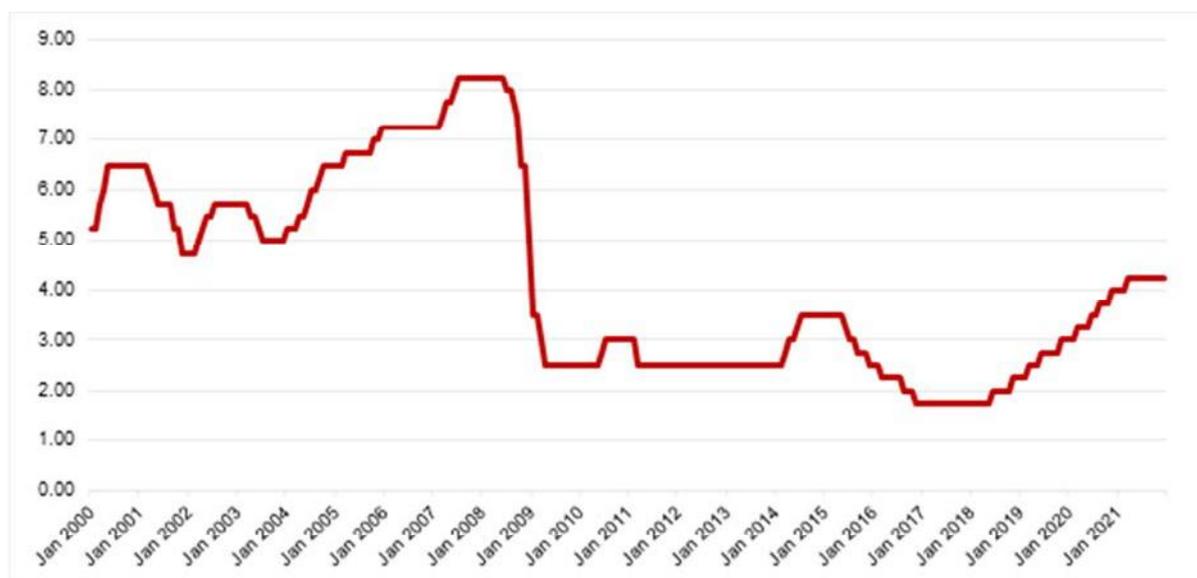
Inflation is picking up, as continued growth in economic activity reduces spare capacity in the New Zealand economy. Inflation pressures are broadening beyond the construction sector, and we expect annual inflation will lift towards the Reserve Bank's 2% mid-point target over 2017. The Reserve Bank cut the OCR to 1.75% in November, and indicated it did not expect to cut interest rates further in this cycle. We expect the Reserve Bank will keep interest rates on hold until mid-2018 before embarking on a gradual tightening cycle.

6.2 Inflation and Interest Rates

Consumer price inflation shows signs of lifting in New Zealand, reflecting a broadening in capacity pressures beyond the construction sector. Although the high NZD and increasingly competitive retail environment continues to weigh on the price of imported household goods, non-tradable inflation is lifting. We expect annual inflation will lift towards 2% over 2017, as capacity pressures continue to build. Globally, inflation expectations are lifting, particularly in the US in anticipation of President Trump's expansionary fiscal policy.

Meanwhile, house price inflation in New Zealand has slowed, particularly in Auckland. This reflects softening investor interest in the wake of the introduction of further macro-prudential tools requiring all property investors taking out new mortgages to have a 40% deposit. While some further modest slowing in house price growth is likely, with strong population growth continuing to boost housing demand we expect house prices will remain high over the coming years.

The Reserve Bank cut the OCR to 1.75% at its November meeting, and indicated it did not expect to have to cut interest rates further. With signs that inflation has turned a corner and will lift towards the 2% mid-point target over the coming year, we do not expect any further cuts in the OCR in this cycle. We expect the Reserve Bank will keep the OCR on hold until mid-2018, before embarking on a measured tightening cycle. This was confirmed in the February Monetary Policy Statement release where the OCR remained unchanged at 1.75%.



Source: RBNZ

6.3 Employment

Unemployment rose in the December 2016 quarter up to 5.2% from 4.9% in September 2016. This went against the trend of the further decreases which were expected.

The rise is being put down to strong growth of the labour force rather than a weakening of economic conditions. This is on the back of strong population growth and record labour force participation of 70.5% - New Zealand's labour force grew by 29,000 over the last three months of 2016.

The strongest growth sectors over the December quarter were retail/wholesale and construction followed by professional services and the public sector. Auckland, the Bay of Plenty and Canterbury remain strong areas for job growth.

With a growing labour force there has been little pressure on wages to date with supply of workers able to meet growing demand. Because of low CPI inflation there has been little adjustment to wages required for living costs. Wage growth is however expected to pick up 2017, inflation has already picked up and demand for workers looks robust with businesses struggling to find suitable labour in some sectors.

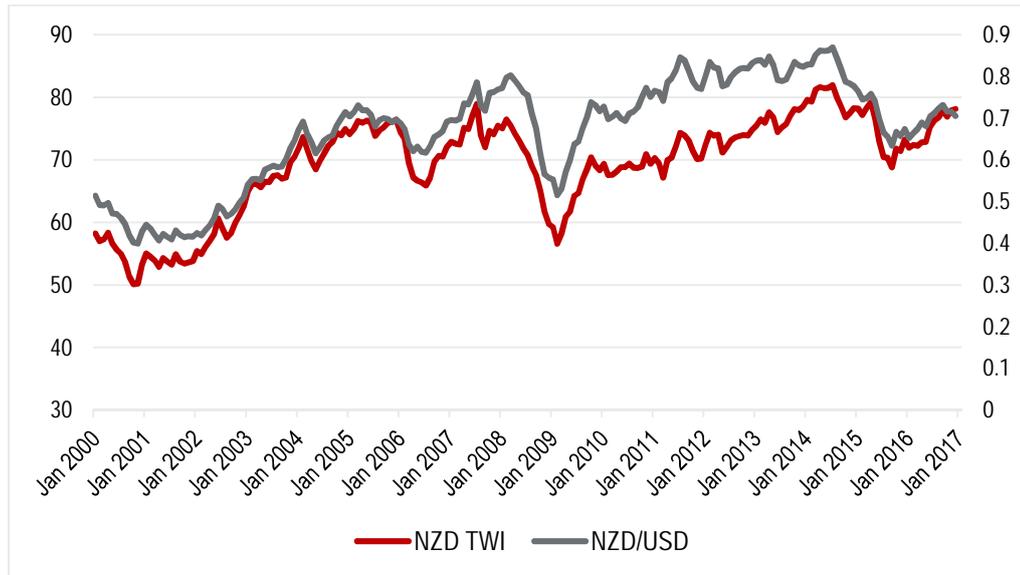
6.4 Business Profits

Profitability has improved over the past year, reflecting a more favourable pricing environment. This is positive for the long-term outlook for businesses.

6.5 Currency

The New Zealand dollar has remained volatile in the wake of the surprise election of Trump as the President of the United States. Rising interest rate expectations in the US boosted the USD, in turn driving an easing in the NZD/USD given the narrowing in interest rate differential.

The NZD remained elevated against most other currencies, reflecting the relatively more favourable New Zealand growth outlook. We expect a modest easing in the NZD TWI over the coming years, as rising interest rates in the other major economies reduces New Zealand's yield advantage.



Source: RBNZ, NZIER

6.6 North Shore Office Market Summary

Vacancy in Takapuna remained relatively stable over the second half of 2016 with a recorded vacancy rate of 5.9% as at December 2016. The first half of 2016 saw vacancy rates increase, despite otherwise strong market fundamentals, from the historically low rate of 2.5% in December 2015. The increase over the first half of 2016 was largely due to space becoming available in the Takapuna Finance Centre.

By contrast the average vacancy rate recorded in Takapuna over the last ten years sits at 7.7%.

Investor demand remains high with a notable shortage of tenanted stock on the market for sale. The one major property recently listed on the market (and subsequently sold) was 521 Lake Road with a rent roll exceeding NZD 1.4 million. The property offers redevelopment potential and under the Unitary Plan the site has a height limit of 36.5 metres.

There is more office stock available for purchase in Albany however there tends to be a prevalence of unit-titled, owner occupier type buildings for sale as opposed to tenanted investments.

6.7 Supply

The major supply story of the next year will be the B:Hive tech hub development at Smales Farm. B:Hive will provide 11,000 sqm of prime space over five levels. The development will offer flexible lease terms so tenants pay for more or less space as they need it. Gross rents will cover services usually paid separately such as high speed internet and cleaning. Each floor will have dedicated space for each business along with a range of shared facilities such as meeting rooms.

One of the larger new developments on the North Shore is 36 Corinthian Drive in Albany which offers more than 1,000 sqm of new built space, asking NZD 300 to NZD 350 psm.

Future supply prospects in the existing office hubs of Takapuna and Albany are likely to have an increasingly mixed use set-up, combining retail and residential components given the limited availability of land.

6.8 Asset Performance

Asset performance has been positive for the year to date, with rents seeing further growth and yields falling to historic low points, again re-pricing assets to new highs. Rental growth has been seen in both the lower and upper ends of the market with rents now falling in the NZD 220 to NZD 350 psm range. Takapuna yields have firmed year on year to sit at an average of 7.08 percent, the lowest level recorded in the series to date.

Transaction activity has been solid, particularly in the sub NZD 2 million market with limited activity above this price point.

The market is still plagued by a lack of stock with tenanted investments hotly contested by local buyers. Owner occupiers are also active in the market given the historically low cost of funds at present.

6.9 12-Month Outlook

Rents are expected to see upward pressure into 2017. We anticipate a further NZD 10 to NZD 20 per square metre worth of growth with pressures on existing stock across most Auckland office markets at present. We expect that the small amount of stock that became available mid-year will be absorbed before our next survey period, given the limited amount of alternative options for occupiers at present, particularly for new space.

With investment fundamentals looking positive over the next 12 months, tenanted property with solid lease terms will be very highly sought after by investors. Funding appears to be harder at present for new developments and redevelopment opportunities, particularly those without a decent holding income.

7 Leasing Evidence

7.1 Office Leasing Evidence

In assessing a market rental profile for the office accommodation, we have had regard to the leases within the property, together with recent rental evidence in the wider locality. We have had particular regard to the evidence detailed below:

Address	Tenant	Level	Area (sqm)	Set by	Date	Net Effective (per sqm)	Car Parks
55-61 Constellation Drive, Mairangi Bay	Conf	Pt Level 3	261	NL	Mar-17	Conf	Conf
55-61 Constellation Drive, Mairangi Bay	Conf	Pt Level 2	201	NL	Mar-17	Conf	Conf
4 Fred Thomas Drive, Takapuna	Aon	Pt Level 1	1,203	RN	Mar-17	\$235	\$40 - \$45
33-45 Hurstmere Road, Takapuna	MyLawGuide LP	Pt Level 2	192	NL	Dec-16	\$275	\$60
4 Fred Thomas Drive, Takapuna	Amplifon	Pt Level 2	1,202	NL	Nov-16	\$224	\$40 - \$45
19-21 Como Street, Takapuna	Grin Natural Products	Level 1	103	NL	Aug-16	\$285	-
2 Fred Thomas Drive, Takapuna	Reckitt Benckiser	Pt Level 1	616	NL	Jul-16	\$253	\$35 - \$40
2 Fred Thomas Drive, Takapuna	Property Partners	Level 2	1,313	NL	Apr-16	\$221	\$35 - \$40
1 Byron Avenue, Takapuna	Unknown	Level 1	667	NL	Mar-16	\$325	\$50
87 Hurstmere Road, Takapuna	Unknown	Level 1	447	NL	Feb-16	\$291	\$33
2 Fred Thomas Drive, Takapuna	Rebain	Pt Level 1	311	RN	Dec-15	\$238	\$40
94 Apollo Drive, Albany	ASM	Pt Ground	1,083	NL	Dec-15	\$285	\$25 - \$40
94 Apollo Drive, Albany	3M	Pt Ground & Level 1	2,269	NLST	2015	\$272	\$25 - \$40
33-45 Hurstmere Road, Takapuna	Construct Interiors	Pt Level 2	156	NL	Nov-15	\$225	\$57
4 Fred Thomas Drive, Takapuna	Calamp	Ground	360	RR	Aug-15	\$260	\$40
Corinthian Drive, Albany	ANZ	Pt Level 3 & Pt Level 4	2,145	NLST	Feb-15	\$233	\$30 - \$38
33-45 Hurstmere Road, Takapuna	Partners Life	Level 1 & 2	2,326	NL	Feb-15	\$270	\$52.50
5-7 Byron Avenue, Takapuna	IRD	Pt Level 3, Levels 5-16	7,289	RR	Jan-15	\$249-\$294	-

We summarise a number of the more relevant transactions in further detail below:

2 and 4 Fred Thomas Drive, Takapuna

There has been a number of new leases in 2 and 4 Fred Thomas Drive over the past 18 months. Of note are the new leases to Amplifon, Property Partners and Reckitt Benckiser.

Amplifon has taken 1,202 sqm of office space on part level 2 of 4 Fred Thomas Drive. The space has been fully refurbished with the landlord completing base build fitout works at the time of valuation. The face rent is set at \$270 per sqm with the net effective rent analysing to \$224 per sqm. Rent reviews are

three yearly to market. Amplifon was previously located in the Vodafone building at Smales Farm which is subject to a major refurbishment for anchor tenant Vodafone. We understand that the landlord was compelled to relocate the tenant and this transaction was more incentivised than what would normally be offered.

Property Partners have leased all of level 2 of 2 Fred Thomas Drive for a terms of six years form September 2015. The rental is effectively stepped over a four year period allowing the tenant to grow into the space. The face rent is set at \$250 per sqm for fully refurbished office accommodation. Further analysis shows a net effective rent of \$221 per sqm. Rent reviews are annually with fixed increases of 3%.

Also within 2 Fred Thomas Drive is a new lease to Reckitt Benckiser for 616 sqm on part Level 1. The face rent is set at \$275 per sqm for modern office space with the net effective rent analysing to \$253 per sqm after allowing for incentives. The lease features annual rent reviews fixed at 3%.

94 Apollo Drive, Takapuna

The property comprises a Green Star rate building providing circa 3,399 sqm of office accommodation over two levels with basement car parking.

ASM took a new six year lease over part of the ground floor comprising 1,083 sqm from December 2015. The rental was set at \$285 per sqm over the office accommodation.

5-7 Byron Avenue, Takapuna

The property comprises two buildings with the larger site fronting Byron Ave providing a 17 level office building with ground floor retail and two levels of basement car parking. The smaller adjacent site with frontage to Northcroft Street provides basement car parking with a single level of office accommodation.

IRD underwent a rent review effective January 2015 over part level 3, levels 5-14 and level 16. The rental was set at the below figures:

Pt Level 3	308 sqm	\$254 per sqm
Level 5	744 sqm	\$249 per sqm
Level 6	746 sqm	\$252 per sqm
Level 7	689 sqm	\$254 per sqm
Level 8	634 sqm	\$277 per sqm
Level 9	634 sqm	\$279 per sqm
Level 10	634 sqm	\$282 per sqm
Level 11	569 sqm	\$284 per sqm
Level 12	569 sqm	\$287 per sqm
Level 13	569 sqm	\$289 per sqm
Level 14	569 sqm	\$292 per sqm
Level 16	569 sqm	\$294 per sqm

Market Rental Conclusion

The subject property provides a range of tenancy sizes to suit a variety of office occupiers. The buildings at 2 and 4 Fred Thomas have been refurbished to a modern standard and in our opinion provide attractive office accommodation in a suburban environment with a good ratio of on site car parking. Some tenancies have views to the west over Rosmini College grounds and / or to the south towards Auckland CBD.

We have also been mindful that the landlord provided above market incentives to some of the larger tenants at a time when there was several large floor plate tenancies available for lease within the subject. Now that these tenancies have been leased up we would expect them to attract stronger net effective rentals moving forward due to the limited space available.

We have made an allowances in our discounted cash flow to refurbish tenancies that have yet to be fully modernised (including Rebain, Aon and Henshaw Group).

In consideration with the above we have adopted office rents ranging from \$235 per sqm up to \$275 per sqm on a net effective basis.

Our market rents for the office floors are summarised in Section 7.3 below.

Medical Sector Commentary (2 and 3 Fred Thomas Drive)

The private health sector trend to larger integrated medical practices offering a range of services out of purpose built premises is likely to continue with a number having been either constructed in recent years or proposed. Larger practices will offer medical practitioners economies of scale and the synergies created by locating closer to a range of other specialist medical services. The property investment opportunities in the health sector are likely to increase as health care providers focus on investing capital in their core business by providing specialist health care services and leasing the property resources they require. Generally, medical centre and specialist clinical rentals attract a premium over and above other smaller, less specialised medical rooms because of:

- Economies of scale and synergies created by grouping specialist practitioners together
- Critical mass of specialist services attract patients and medical personnel
- Greater range of general and specialist services within the same complex

Medical Centre Rents

Rental rates for basic medical tenancies in suburban locations are typically at the lower end of the range, attracting rental rates between \$250 and \$400 per square metre. High quality medical tenancies provided as 'fitted out' in popular locations such as Remuera and Epsom generally attract greater rental levels. The Apollo Health Centre in Albany has rentals ranging from \$250 to \$350 per square metre for standard medical suites provided on a carpeted, airconditioned bareshell basis. Car parks are typically rentalised separately.

The Radiology Group entered a new lease in 2014 for purpose built medical accommodation in Shakespeare Road. We understand that the rent ranged between \$375 per sqm and \$400 per sqm for a two level bare shell building. Car parks are at \$40 pcpw.

At 948 east Coast Road, Browns Bay, Shorecare Northcross exercised a lease renewal in February 2014 with the annual rent set at \$207,100 per annum. The rent over the medical centre equates to \$335 per sqm with car parks in addition. This property is inferior to the subject.

Other transactions of note include White Cross at 52 St Lukes Road, St Lukes who were subject to a new lease in March 2015. The rent was set at \$364 per sqm for 366 sqm tenancy with car parks in addition.

In terms of the medical centre in 2 Fred Thomas Drive we calculate the net effective rent to be around \$335 per square metre for the premises and an average of \$28.50 per space per week for the car parks. This deal was agreed in 2012. We are also aware of the rents being achieved for two of the sub-tenancies within the medical centre which are at substantially higher levels.

The new lease to Auckland Eye has a face rent of \$400 per sqm. The rent is subject to annual increases to the greater of CPI or 2%. The landlord made a contribution towards the lessee's fitout costs. Our analysis shows that incentive offered by the landlord is offset by the fixed rental increases over the initial ten year term of the lease.

7.2 Warehouse Storage

Having regard to the rates achieved within the subject we have adopted rental rates ranging between \$100 per sqm and \$115 per sqm for the warehouse storage. We have adopted a lower rate of \$70 per sqm for the mezzanine due to the access which is restricted to stairs.

For the remaining warehouse area which has potential for further storage cages to be constructed and leased out, we have adopted a lower rate of \$40 per sqm reflecting the fact that expenditure would be required to achieve this. Alternatively this area could be used for covered car parking.

7.3 Car Park Leasing Evidence

We have had regard to current car parking rates within the subject and the wider locality.

The subject property typically achieves rates of between \$35 pcpw and \$40 pcpw for open spaces with \$40 pcpw to \$47.50 pcpw achieved for some allocated spaces. The recent leasing to Amplifon has open unallocated spaces at \$40 pcpw with allocated spaces at \$45 pcpw. The Electoral Commission has allocated spaces at \$47.50 per week.

Taking this into consideration we have adopted rental rates of \$40 pcpw for open unallocated spaces, \$45 pcpw for open allocated spaces and \$47.50 pcpw for covered allocated spaces.

7.4 Market Rental Profile

In analysing the market rental for the Property, we have had regard to the net structure of the leases executed. We have therefore assessed the market rental profile on a net basis. Our adopted market rental profile for the office, retail and medical tenancies is displayed below:

Premises	NLA	Passing Rental	Market Rental
Cal Amp Wireless Network - Part Ground	359	\$260 /sqm	\$265 /sqm
Yachting NZ Inc - Part Ground	270	\$276 /sqm	\$270 /sqm
GN Resound - Part Ground	785	\$250 /sqm	\$255 /sqm
Henshaw Group - Part Ground	508	\$235 /sqm	\$255 /sqm
AON New Zealand - Part Level 1	1,203	\$235 /sqm	\$235 /sqm
Liquid Financial Solutions (AMP) - Part Level 1	162	\$260 /sqm	\$275 /sqm
Riley Consultants - Part Level 1	778	\$224 /sqm	\$260 /sqm
Housing NZ Corporation - Part Ground	139	\$275 /sqm	\$275 /sqm
Amplifon - Part Level 2	1,202	\$270 /sqm	\$250 /sqm
Vendor Underwrite - Part Level Two	307	\$275 /sqm	\$265 /sqm
Electoral Commission - Part Level Two	1,222	\$304 /sqm	\$250 /sqm
Auckland Eye - Ground	531	\$400 /sqm	\$400 /sqm
Peak Primary - Part Ground	1,360	\$377 /sqm	\$365 /sqm
Lukes Café Ltd - Part Ground	145	\$422 /sqm	\$400 /sqm
Rebain ASCC - Part Level 1	311	\$237 /sqm	\$260 /sqm
Wireless Nation Ltd - Part Level 1	371	\$234 /sqm	\$265 /sqm
Reckitt Benckiser (NZ) - Part Level 1	616	\$283 /sqm	\$260 /sqm
Property Partners - Level 2	1,313	\$273 /sqm	\$250 /sqm
Total	11,579 m²		

7.5 Net Income Assessment

The table below presents both the passing income and adopted market net income profile of the Property:

Passing Versus Market Comparison	Passing pa	Market pa
Rental Analysis		
Lettable Area Rental	\$3,437,607	\$3,246,948
Carparking Rental	\$911,242	\$956,150
Outgoings Recovery	\$696,654	\$777,648
Gross Income	\$5,045,502	\$4,980,746
Outgoings	\$777,648	\$777,648
Net Income	\$4,267,854	\$4,203,098